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DESIGN OF THE STUDY

Title of the Study:

The title of the study is *Institutional Finance for Rural Development - A study on Subansiri Gaonlia Bank in Undivided Lakhimpur District (ASSAM)*.

Rationale of the Study:

Considering the socio-economic indicators, Assam is one of the backward States of India, its economy being predominantly agrarian. This fact becomes more prominent as regards to Lakhimpur district. In the district, nearly 95 per cent of the population lives in rural areas and about 80 per cent of them are dependent on agriculture for their livelihood. Even though the district has the potentiality to grow-in agro-based and other small scale industries, but the development of such industries is very poor. The district authority has taken up various programmes and schemes, which are directly or indirectly involved in the development of agriculture as well as industries in particular and economy in general. However, the response of the rural people to these programmes are not to the desired level, due to paucity of funds. Hence, it is expected that bank finance can play a significant role in the development of the rural economy of the district.
It deserves mentioning that a few empirical surveys have already been conducted by some scholars and institutions on certain aspects of rural development in Lakhimpur district. However, no serious study has been made on the working and growth of banking institutions in the district.

The development of scheduled commercial banks is not sufficient for the district. It is a known fact that the services of the commercial and co-operative banks are hardly available in the rural areas of Lakhimpur district, and for this reason, the rural people are deprived of receiving bank finance for the improvement of the economic condition. Only the Subansiri Gaonlia Bank (SGB) the Regional Rural Bank, has most of its branches in rural areas of the district. As on March 1991, there were 55 commercial bank branches in the rural area of the district, out of which 23 were opened by the SGB alone. Therefore, considering the above factors, a specific study on the role of Subansiri Gaonlia Bank in Lakhimpur district has been undertaken.

For the researcher, who being the resident of the area of study and well acquainted with the developmental activities that have been going on, this topic of research was found to be very appropriate. There is no denying the fact that a positive corelation exist between the growth of rural banking and economic development in a particular area. The economic backwardness of the said district has led the
researcher to explore the causes for the sluggish economic growth and the role of the Regional Rural Bank i.e SGB in the development of the economy of the district.

Objectives of the Study:

Since independence of our country, a number of measures have been undertaken by the Government for rural development. Banks as financial institutions have been playing an important role in this respect. In the development of rural economy of Lakhimpur district, it is strongly believed that the role of the Subansiri Gaonlia Bank is quite significant. Considering the above point of view, the broad objectives of the study are as follows:

(a) To analyse the historical background of bank development in India as well as in the State of Assam and in Lakhimpur district.

(b) To evaluate the plans and programmes of rural development in Lakhimpur district in particular and the State of Assam and India in general.

(c) To assess the operational performance of Regional Rural Banks (RRBs) with other scheduled commercial banks and the viability of RRBs in India.

(d) To make a comparative study on the development of scheduled commercial banks in Lakhimpur district along with other districts of Assam.
(e) To examine the organisational and managerial pattern, sources of finance and operational activities of Subansiri Gaonlia Bank in the economic development of the district.

(f) To explore the hurdles faced by the Subansiri Gaonlia Bank in its day to day functioning.

(g) To suggest on the basis of the findings, the ways and means for improvement of banking and other system of rural development.

Hypotheses:

To achieve the above objectives the following hypotheses are taken for testification:

(a) That, even though the existing rural development plans and programmes are becoming beneficial to rural community, yet they are not sound enough;

(b) That, at present both the Regional Rural Banks and other scheduled commercial banks have made a good impact on rural economy;

(c) That, the farmers, landless labourers, rural artisans, small businessmen and other weaker sections of the community are greatly benefited from the establishment of Subansiri Gaonlia Bank in Lakhimpur district;

(d) That, the Subansiri Gaonlia Bank gives a good response to rural development programmes/schemes, viz -Integrated Rural
Development Programme (IRDP), Professional and Self-Employment Programme (PSEP), Programmes for development of the economy of Schedule Caste and Schedule Tribes;

(e) That, the establishment of Subansiri Gaonlia Bank has made a great impact for removing of poverty by way of increase in the incomes, generating employment opportunity and creation of assets among the concerned beneficiaries;

(f) That, the SGB has to face many hurdles in the sphere of achievement of its objectives;

(g) That, the adoption of corrective measures in both administration and organisational procedure of the bank will benefit the public and bank itself.

Methodology:

The present study is based on both secondary and primary data. Primary data were mostly collected through field survey. At present, there are 25 SGB branches in Lakhimpur district, out of which seventeen are in North Lakhimpur, seven are in Dhemaji and a single branch is located at Jonai sub-division. Considering the existing number of branches, number of development blocks and geographical area of each sub-division; 4 branches from North Lakhimpur, 2 branches from Dhemaji and one branch from Jonai sub-division have been adopted for the purpose of this study. One village from each branch (except two villages of Talem
Branch that falls under Jonai Sub-division) and 25 beneficiaries from each village i.e. total of 200 beneficiaries were selected for the field survey. Two separate sets of questionnaires were prepared to collect the information from the sample beneficiaries as well as from the bank personnel of the SGB. The questionnaire on beneficiaries comprised of two parts. The first part was used to collect the general information of surveyed household viz - name, address, religion, caste, family size, education, annual income, source of income and the size of the land under possession etc. The respondents were also expected to provide information on the development of infrastructural facilities in their localities namely communication and transportation, health centres, educational institutions, drinking water facilities, veterinary services, post office and marketing avenues for produced goods etc. The second part of the questionnaire covers the main issue of the study, through which it is desired to gather more information as regards to finances made available by the SGB in rural areas in the Lakhimpur district. Thus, this part includes the questions on collection and approval of loan applications, time taken for receiving the loan, amount of loan, purpose and way of receiving the loan, security and margin of the loan, mode of repayment, instalment paid and amount due and other information relating to the credit of SGB. This part also gives an emphasis on gathering the information regarding the
response of depositors to keep their money in Subansiri Gaonlia Bank and other commercial banks in the district and problems faced by them in respect of savings and borrowings.

A separate questionnaire was also prepared for bank personnel with a view to gather information on the problem of infrastructural facilities in village areas, total loans granted, recovery and over due amount of loans, problems faced in the matter of deposit and credit in rural areas, project inspection, attendance of bank personnel in the village development meetings/workshops and their co-operation with customers, beneficiaries as well as managerial staff of the Head Office.

Besides these, local influential persons viz. Gram Pradhan, Village Development Officers, Chairman of the SGB and other Regional Rural Banks of the State, Officers of the District Rural Development Agency and Lead Bank etc. were also interviewed.

Secondary data were mainly collected through RBIs banking statistics, Annual reports of Subansiri Gaonlia Bank, Statistical Hand Book Assam, Economic Survey Assam, Five Year Plan documents, Statistics of RRBs and District Credit Plans. Besides these, relevant books and journals published by the Government and other agencies and institutions are also relied upon to the required extent. A reasonable number of secondary data has been collected from the office of the
District Rural Development Agency (DRDA), District Industries Centre (DIC), Lead Bank, Schedule Tribes and Schedule Caste Development Corporation, District Statistical Office and Block Development Offices functioning in the Lakhimpur district. The researcher has personally visited the libraries of Reserve Bank of India (RBI), National Bank for Agriculture and Rural Development (NABARD), National Institution for Rural Development (NIRD) and North Eastern Institution for Bank Management (NEIBM) which are located at Gauhati. Over and above the researcher has taken sufficient material from the libraries of Gauhati University, Dibrugarh University and from the five Head Offices of Regional Rural Banks located in Assam.

Percentage, average, ratio, diagram and curves are used to analyse data, which helped to study the banking development in India, in the State of Assam and in Lakhimpur district.

**Period and Area of the Study:**

Even though the Subansiri Gaonlia Bank was established in the Year 1982, it started its operational work from the year 1984. Therefore, the study period upon the bank has been purposely confined from 1984 to 1991.

Lakhimpur and Dibrugarh districts are the two original command area of SGB. However, in 1989 Dhemaji (the
erstwhile sub-division of Lakhimpur district) and Tinsukia (the erstwhile sub-division of Dibrugarh district) were declared as independent districts. Though four districts, viz. Lakhimpur, Dhemaji, Dibrugarh and Tinsukia are under the operational area of SGB, both the Dibrugarh and Tinsukia districts are far more industrially and economically advanced. Therefore, the work has been purposely confined mainly to two districts viz. Lakhimpur and Dhemaji i.e. undivided Lakhimpur district of Assam.

Review of Literature:

Various studies covering different aspects of rural development through institutional finance have been conducted during the last few years. However, the literature that critically examines the overall credit structure of the Regional Rural Banks (RRBs) is very limited. A humble attempt has therefore been made through this study to review some of the prominent studies. It is expected that this would facilitate in understanding the significance of the present study.

S.K. Malhotra has discussed in his book 'Rural Banking in India', the various aspects of rural development and need of rural credit. The proper utilisation and allocation of resources as well as adequate infrastructure

1. Malhotra S.K. - Rural Banking in India, Modern Publisher, Jalandhar City.
are essential for rural development. He also examines the causes of rural poverty and rural unemployment and points out some suggestions to reduce such problems in rural areas. An attempt has been made to study the role of co-operatives, commercial banks and Regional Rural Banks in the field of rural credit and their weaknesses and problems in the matter of rural lending.

Gupta in his study has focussed the evaluation of credit institutions for rural development. He makes a field survey to identify the causes for which rural people require loans, finds out the extent to which they have succeeded in obtaining loans from financial institutions and assesses the impact of credit on income of the beneficiaries. The author made an observation and found that influence of Money-Lenders have substantially come down with the extension of institutional credit to rural poor. He found that 83 P.C. of the surveyed household had borrowed loan from financial institutions.2

The financial institutions were able to finance both farm and non-farm sectors. However, loan to farm sector is comparatively more in rural areas than non-farm sector. The author has also analysed the causes for non-repayment of loans and highlights the problems faced by the credit institutions and suggests suitable modifications.

Mr. Desai in his study on Agriculture and Rural Banking in India had analysed the scope and importance of agricultural economics, problems of agriculture in India and the Government policies for the same. He examined that schemes like IRDP, NREP etc. have played an active role in the development of rural economy. Further, he made an attempt to analyse and critically assess the role of co-operative banks, Land Development Banks, commercial banks, Farmers' Service Societies (FSSs) and National Bank for Agriculture and Rural Development (NABARD) in rural areas of India.

Malhotra and Uppal, in their edited volume 'Indian Banking Towards 21st century', presented the development of banking and its future prospect, where a large number of prominent scholars had made a humble attempt to foresee the banking scene at the end of this century and to suggest a line of action which should be adopted by the bank. S.D. Tripathi in his paper an 'Indian Banking Towards 21st Century - Issues and Prospectives' in the same volume has made an attempt to strengthen the existing banking system through modernisation and proper planning. However, in the long term perspectives he sought to organise and develop a fullfledged money market where Reserve Bank of India can play an active role. M.L. Kalra in his paper 'Banking in The 21st Century - Challenges and Opportunities', has also clearly mentioned

that without a proper long term fiscal and monetary policy, it would be a difficult task to develop a concrete idea of the banking scenario in our country in the 21st century.

Saikia and Phukan (ed.) in their book 'Rural Development in North-East India' have include a number of papers relating to rural development. One of the important papers contributed by P.C. Baruah which is relevant to our study is 'Banking Industry and Rural Development'. In the said paper an attempt has been made to explain the performance of RRBs and other commercial banks in the field of branch expansion, deposit mobilisation and credit extension in North-East Region as well as in India during the period of 1970 to 1984. The paper reveals that development of banking in this region is not sound and as a result there exists a big credit gap both in the field of agriculture and industry. Further, he dealt with the recruitment of local people in Banking Industry. In this regard the writer feels that lack of interest of both the potential candidates as well as Government are the responsible factors. To ensure the balanced growth with other regions of our country he suggested that banking industry should be more decentralised with sufficient delegation of powers from Head Office to branch level.

Of-course the paper supports the view that other agencies should also play an effective role for the development of economy in this region.

C.D. Wadhwa in his study 'Rural Banks for Rural Development' has made an attempt to present the working of two RRBs Viz - Haryana Kshetria Gramin Bank, Bhiwani (Haryana) and Jaipur Nagpur Anchalik Gramin Bank, Jaipur (Rajastan). He realised that the inherited procedure of formalities of sponsoring banks create problem in the proper functioning of RRBs. Further he has also examined that due to lack of scope for direct lending, areas of operation, effective link with 'Primary Agricultural Credit Societies' (PACS) and 'Farmers Service Societies' (FSSs) and support of the Govt. the RRBs were not able to meet their credit target of Rs.5 crores in a year, fixed by the Govt. of India. He had pointed out a number of suggestions for better performance of RRBs viz, allowing RRBs to be sponsored by the co-operatives, strengthening their relationship with PACS and FSSs, direct credit facilities to weaker sections, restructuring of the interest rate, strengthening of the working of District Co-ordination Committees and credit administration etc.

Varda and Singh⁷ have also made a study on profitability performance of RRBs which had completed a minimum of two years of their operations as on December 1978. The study which covered the period from 1978 to 1980, was based on 40 sample RRBs and showed their comparative profitability performance. For this purpose they worked out 10 indicators such as interest earned ratio (r), interest paid ratio (K), manpower expense ratio (m), other expense ratio (o), other income ratio (c), payment per employee ratio (m1), volume of business per employee ratio (m2) and profitability ratio (p), etc.

It was revealed in their study that profitability performance of all RRBs increased during the period of 1978-1980. Further, manpower and other operating costs relating to the business of 40 RRBs, declined significantly during this period. Thus it was argued that decline of manpower and other expense ratios are the leading indicators of profitability performance of the RRBs.

In 1981, the Agricultural Finance Corporation (AFC) had made a study on the overall performance of two RRBs viz Malaprabha Grameena Bank, Dharwar (Karnataka) and Rayalseema Grameena Bank, Guddapah (Andhra Pradesh), sponsored by the

Syndicate Bank. The scope of study was mainly confined to deposit mobilisation, credit-deposit ratio, composition of fund, recovery, recruitment, training, role of sponsoring bank and organisational structure of RRBs etc. 8

The study report stated that for better performance of RRBs, the infrastructural facilities in rural areas should be developed. Further the Report suggested restrictions on commercial banks to open their branches in the areas of RRBs, to raise proportionately the indirect finance to other sectors along with the agricultural finance and allowing the RRBs to provide a certain percentage of total loan to richer sections.

M.R. Vyas in his book 'Evolution and Management of RRBs' 9 has analysed the background for the establishment of RRBs, their evolution and role, specially in Rajasthan and in India in general. Further an attempt is made to explain the role of RBI, NABARD and sponsoring banks in planning, management and control of RRBs.

Savaraiah 11 has conducted a case study on Chaitanya Gramin Bank (RRB) of Andhra Pradesh, where he had made an analysis as regards to the reduction of credit gap in rural -

areas. An attempt is also made to evaluate the suitability of the bank for providing credit to rural folk. He reveals that among the institutional agencies that are functioning in the area under study, the major share of credit in rural areas -- are financed by the Chaitanya Gramin Bank thereby reducing the credit gap in rural areas.  

Prof. K.V. Patel and Prof. N.B. Shete have analysed the performance of RRBs in respect of branch network, deposits as well as credit and also their future prospect in various regions and the country as a whole. They have made a comparative study on the performance of RRBs with co-operatives and other commercial banks operating within the command districts of the Regional Rural Banks.

N.K. Thingalaya, of Syndicate Bank, has made a useful analysis on the need of RRBs, their development in India through branch expansion, deposit mobilisation and credit extension. He has raised some issues of RRBs with regard to increase in establishment cost, participation of local and State Government in the management of RRBs, etc.

10. Savaraiah G. - Rural Banking in India, Daya publishing House, Delhi - 6, PP. 27-37.


Chapterisation:

In all, the thesis is divided into twelve Chapters. Chapter I, (Viz - Introductory Chapter) highlights the scenario of rural India, concept and evolution of rural development in the pre-independence period.

Chapter II deals with the design of the study. It includes the review of some important works done on the subject. The other components of the chapter are title and rationale of the study, objectives of the study, methodology adopted and hypotheses taken for testifying the work.

Chapter III, provides the profile of Lakhimpur district, depicting the geographical location, climate, population, agriculture, mineral resources, transport and communication, banking and educational institutions, co-operatives, etc.

In Chapter IV, the plans and programmes for rural development during various Five Year Plans and Annual Plan periods have been examined.

Chapter V, examines the importance of banks and their development in India as well as in the State of Assam.

Chapter VI highlights the background of the Regional Rural Banks (RRBs), recommendation of various commissions and committees for the establishment of RRBs, the growth and
development of RRBs in India, State and region wise development of RRBs and their operational results. An attempt is also made to examine the development of RRBs in the State of Assam.

Chapter VII studies the development of scheduled commercial banks and the establishment of Subansiri Gaonlia Bank (SGB) - the Regional Rural Bank in Lakhimpur district. The chapter also highlights the objectives of SGB, it's fund position and human resources as well as management and organisational structure of the bank.

Chapter VIII, deals with the main operational activities of SGB, i.e. branch expansion, deposit mobilisation and credit extension in Lakhimpur district. It also embraces the study of various aspects, viz - types of loan granted, beneficiaries, principles followed while granting loans, loans issued under special programmes, credit-deposit ratio etc.

Chapter IX, presents a report of the field survey, which was prepared on the basis of information collected from 200 sample beneficiaries and bank officials through structured questionnaires. Statistical equation and tables are used to present the collected information more precisely. It also highlights some relevant information about the classification of sample borrowers on the basis of caste, sex, various loan's schemes including land holding pattern, etc.
Chapter -X, deals with some operational problems at the organisation level of SGB, viz. - problems related to management, deposit and credit, manpower and training, profitability etc. The contents of interviews and discussion held with the bank officials and the sample beneficiaries are included in this chapter.

Chapter - XI sums up the findings of the study. Attempt is made to provide some recommendations and suggestions on the basis of findings, which are expected to be result oriented for the Government, policy makers and general public as well as for the banks in particular.

The Chapter - XII which happens to be the last one concludes the study and it's findings.